

The Free Choice Proposal

*Empower **EVERY** American to choose the quality, affordable health plan that works best for them.*

Health reform should give ALL Americans choices. Americans who are happy with their current coverage should be able to choose to keep it just as Americans who are unhappy with their current coverage should be able to reject it and choose a better plan. The Free Choice Proposal shows that it is possible to guarantee these choices – not just for some Americans – but for ALL Americans in a way that strengthens the employer-based health care system.

While health reform shouldn't blow up the current employer-based system, health reformers should not steer clear of improving the system. Today, half of American workers fortunate enough to have employer-sponsored health insurance are given no choice in where they get their coverage; and while millions of Americans say they are happy with their current health insurance, most Americans aren't able to keep that insurance if they lose their job, change jobs or go into business for themselves. Additionally, as health care costs continue to skyrocket more and more employers are being forced to provide their workers with cheaper benefits or drop coverage altogether. Health reform can and should improve the employer-based system to address these issues.

Brief Description:

The Free Choice Proposal gives every American the ability to either choose to keep the coverage they have or pick a plan that works better for them and their family. It guarantees both choice and portability by creating a path for employers to insure their workers through a national or state-based insurance marketplace known as the "Exchange."

The Free Choice Proposal recognizes that employers play an important role in ensuring that their employees have health coverage and gives employers a choice in how they fulfill that role.

Under this proposal:

- 1) Employers that offer group health coverage must offer the equivalent of a minimum benefit plan, contribute at least 70% of the premium, and offer at least one other health plan of greater actuarial value; or
- 2) Employers that do not offer the choice of a low cost option must offer workers a voucher worth at least 70% of the average of the three lowest cost plans in the exchange; or
- 3) With an adequate transition, employers can take their entire group to the exchange where they would receive a group discount so long as they provide at least 70% of the cost of average of the three lowest cost plans in the exchange; or
- 4) Employers that do not offer health insurance choices, a voucher, or go to the exchange, would have to pay a "fair share" fee which would be a percent of the national average of the three lowest cost plans in each state.

Fair Share Amount: The Fair Share amount is .25% for the first fulltime equivalent employee and increases by .25% for each additional employee up to 280 employees. The fair share amount for employers with 280

employees or more would be 70%. In order to take into account the burden to small employers, this percentage could be varied downward to account for revenue per employee or other measure of ability to pay.

In order to protect against adverse risk selection both in the exchange and employers who offer the voucher, the Secretary will set up a national reinsurance pool to protect employers and insurers who have higher than expected costs because of adverse risk selection.

Free Choice Strengthens the Employer Based System

The Free Choice approach strengthens the employer-based system by giving employers additional bargaining power to negotiate affordable health care for their workers. For example, if insurers won't offer affordable coverage to an employer, that employer would have the option of taking the entire business to the Exchange and getting a discount on their coverage. Making health benefits more affordable for employers makes it less likely that employers will be forced to drop health coverage and more likely that other employers will be able to start offering the benefits.

Free Choice Helps Small Businesses

Under the Free Choice Proposal, small business could use the small business tax credit towards the cost of covering their workers with group coverage, the voucher, or in the exchange.

The fee under the Free Choice proposal reflects the demands on small businesses. For example, a small business with 10 workers would have to pay 2.5% of the national average of the three lowest cost plans in every state per full-time equivalent employee.

Free Choice Will Help Working Americans

With the Free Choice Proposal, workers will be able to keep the coverage they have or go to the exchange if they want another plan.

Low-income workers will be ensured affordable health care. All Americans eligible for the Federal tax health insurance tax credits can receive the credit less the amount of the voucher.

Families who receive a voucher for individual coverage can combine vouchers from different employers to purchase affordable insurance through the exchange.

Free Choice Will Hold Down Health Care Costs

The Free Choice approach reduces rising health care costs. Unlike under the current system where most Americans consider health care a “free” benefit – thus encouraging the over consumption of health care – allowing Americans to pocket the money they save in making a careful health care purchase is proven to save the system money while forcing insurers to compete to offer more affordable quality plans. The Congressional Budget Office has already scored savings for health reform legislation that provides choices of coverage and financial rewards for those who choose plans that offer good value for consumers.

Examples:

Large Employer with 1,000 full time employees could:

- 1) Offer two group health insurance plans, one equivalent to the exchange minimum plan (i.e. \$4,000 for single coverage/\$11,500 for family coverage) and another higher cost plan (i.e. \$4,800/\$14,500), and pay for 70% of their cost.
- 2) Offer a high cost plan (i.e. \$5,300/\$16,000) and a voucher for 70% (i.e. \$2,713/\$8,139) of the lowest cost plan in the exchange.
- 3) Take entire group to the exchange.
- 4) Pay a fee of 70% of national average three lowest cost plans per employee.

Small Employer with 100 full time employees could:

- 1) Offer two group health insurance plans, one equivalent to the exchange minimum (i.e. \$5,000/\$12,000) and another higher cost plan (i.e. \$6,000/\$15,000), and pay for 70% of their cost.
- 2) Offer a high cost plan (i.e. \$6,500/\$17,000) and a voucher for 70% (i.e. \$2,713/\$8,139) of the lowest cost plan in the exchange.
- 3) Take entire group to the exchange.
- 4) Pay a fee of 25% of national average three lowest cost plans per employee.

Transition to the Free Choice System

Year 1- People who are currently in the individual market plus small employers with up to 10 workers and the uninsured have access to the exchange.

Year 2-- Add small employers with up to 25 workers to the exchange.

Year 3-- Give State Medicaid programs the choice to be in exchange.

Year 4-- Open up the exchange to medium sized employers with up to 250 workers using the Free Choice approach.

Year 5 - Open exchanges to all employers.